BCV Asset Management Inc.

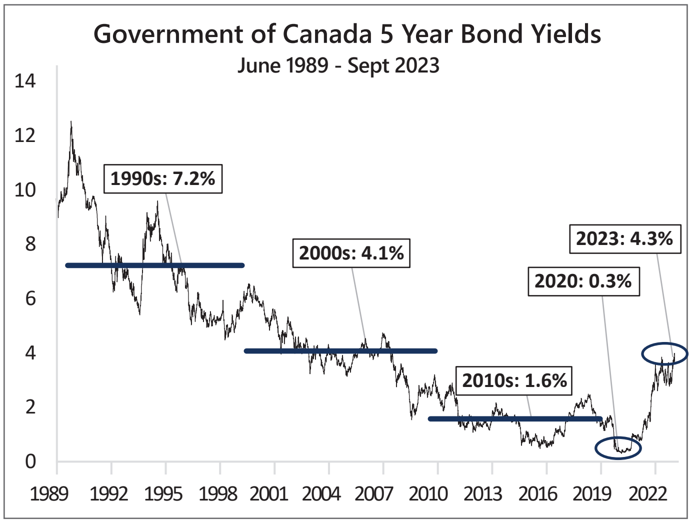
ANTARES TOTAL RETURN STRATEGIES

Antares equity strategies focus on long-term total return through a combination of dependable income and capital appreciation. We build portfolios to align with individual client requirements, resulting in personal portfolios that lean more, or less, toward capital preservation, income generation, or growth.

MANAGER COMMENTARY

During the quarter, we introduced two new holdings to the portfolio, CRH plc and TE Connectivity, and added capital to two existing positions, Ferguson plc and TJX Companies. To fund the purchases, we fully exited two holdings, Verizon Communications and Brookfield Corporation, and selectively sold shares of Canadian Utilities.

Investor sentiment started the quarter on a positive note – a bit of rose-coloured AI carryover from the previous quarter – but deteriorated as it became evident that central banks are in no hurry to reduce interest rates. To those who believe that the cost of borrowing is likely to come down soon, we counter that there is nothing inherent in the facts to support that belief, and there is historical precedent for rates to be much higher over long periods of time. This is illustrated by the chart, which shows the yield on the Government of Canada 5-year bond going back to 1989. Viewed in the context of this 34-year stretch, the big jump from the Covid low of 0.3% to the latest 4.3% shown at the far right looks like reversion to what old timers might call "normal". To be clear, we are not making any claims about the future direction of interest rates other than "nobody knows". As it stands, higher rates make it tougher for borrowers to meet their obligations. This applies to homeowners whose mortgages are priced off the 5-year bond, which are therefore rolling over at higher rates. It applies to corporations that are making financing decisions for future investment. As borrowers become increasingly pressured, the risk of an economic slowdown rises. To that end, we are thinking about companies whose business may offer secular – as opposed to cyclical – growth attributes.



Source: Bloomberg, 5-Year Generic Canadian Government Bond

We believe that your new holding CRH fits the bill. CRH is a building material company domiciled in Ireland but generating approximately 75% of profit from North America (and 25% from Europe). It owns a network of assets that are scarce and hard to build or replace, such as lime quarries and kilns to make cement and asphalt. This limits the threat of disruption from new entrants. In addition, CRH offers unique end-to-end solutions that speed up construction of large-scale projects such as highways and bridges while reducing the overall cost to the customer, typically a government entity. We believe CRH is benefiting from renewed infrastructure spending, starting with the $1.2 trillion infrastructure bill enacted by the U.S. government, which targets large-scale spending irrespective of whether the economy is in expansion or recession. In addition, many companies are moving factories to North America to reduce dependence on overseas supply chains. For example, CRH supplied material and construction for the new Samsung semiconductor facility in Texas, which required 920,000 cubic metres of concrete within a six-month timeline. The shares trade at a low valuation (11.4x forward price to earnings ratio per FactSet) compared to North American peers (25.3x for Vulcan Materials), and we believe there is a catalyst for the gap to narrow, because the shares have moved their primary listing from Dublin to New York. It is likely that they are now, for the first time, on the radar of large U.S. institutional investors whose buying power has the potential to drive up the share price over time.

TE Connectivity, a global company headquartered in Switzerland, designs and manufactures electrical connectors and sensors. These components are complex, specialized, and have multiple applications, to name a few: vehicles, industrial automation, data centres, and smart homes. Demand for TE's products is rising as technology becomes increasingly pervasive, intelligent and fast. Nearly half of TE's revenues come from the automotive market, which is historically cyclical – and perhaps a reason for the shares' valuation discount relative to the company's closest peer. However, even with a decline in car production over the past four years, TE has increased its content inside the vehicle from $60 to $80. Longer term, we believe that TE is uniquely positioned to capitalize on growth in electric and autonomous vehicles. At approximately 16x forward earnings, we see the shares as modestly valued considering the favourable long-term trends.

Thank you for your continued trust,

Alec MacIsaac, CFA
Ricardo Melo, CFA

Visit https://bcvassetmanagement.com/antares-total-return for our recent video portfolio update.

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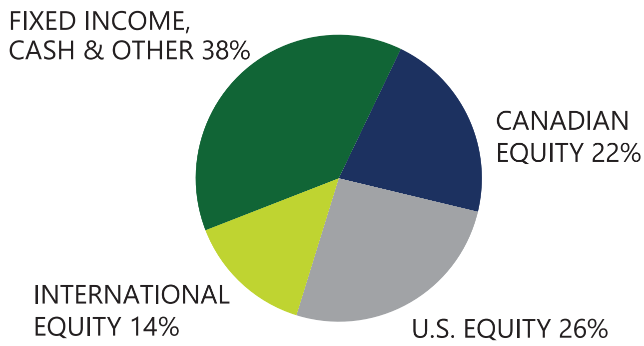
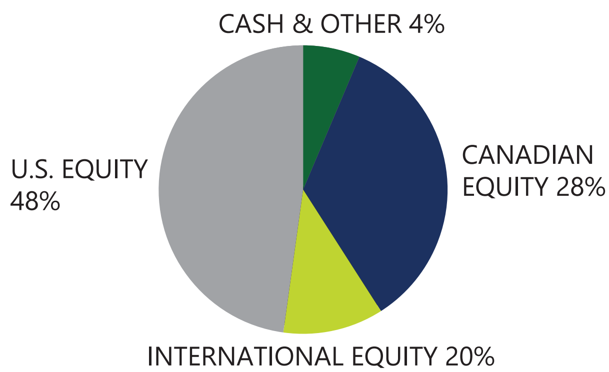
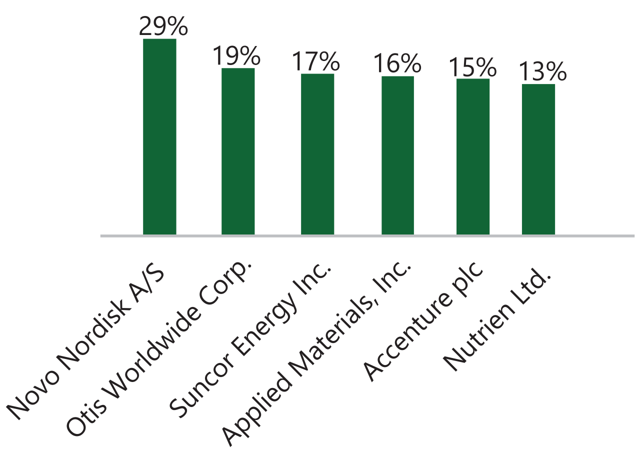
BALANCED POOL - ASSET ALLOCATION[1]



TOTAL EQUITY POOL - ASSET ALLOCATION[1]



NOTEWORTHY DIVIDEND INCREASES-LAST 12 MONTHS[1]



EQUITY HOLDINGS[1]

	DIVIDEND YIELD	5YR DIVIDEND[2] GROWTH RATE
CONSUMER DISCRETIONARY		
BorgWarner Inc.	1.1%	0.9%
TJX Companies Inc.	1.5%	12.9%
ENERGY		
Gibson Energy Inc.	8.0%	3.1%
Pembina Pipeline Corp.	6.5%	3.6%
Suncor Energy Inc.	4.5%	8.2%
FINANCIALS		
Berkshire Hathaway Inc.	N/A	N/A
JPMorgan Chase & Co.	2.9%	12.3%
Royal Bank Of Canada	4.5%	7.3%
HEALTHCARE		
Gilead Sciences, Inc.	4.0%	6.0%
Novo Nordisk A/S Sponsored ADR Class B	0.8%	10.2%
Roche Holdings Ltd-Sponsored ADR	2.3%	N/A
INDUSTRIALS		
Ferguson plc	1.8%	N/A
Otis Worldwide Corp.	1.7%	N/A
Stantec Inc.	0.9%	7.3%
Toromont Industries Ltd.	1.6%	13.8%
Union Pacific Corp.	2.6%	12.2%
Vestas Wind Systems ADR	0.2%	N/A
Vontier Corp.	0.3%	N/A
INFORMATION TECHNOLOGY		
Accenture plc	1.7%	11.0%
Apple Inc.	0.6%	6.7%
Applied Materials Inc.	0.9%	14.1%
Cisco Systems Inc.	2.9%	4.4%
Constellation Software Inc.	0.2%	0.0%
Fiserv Inc.	N/A	N/A
Micron Technology, Inc.	0.7%	N/A
Microsoft Corp.	1.0%	10.1%
TE Connectivity Ltd.	1.9%	6.5%
INFRASTRUCTURE		
Brookfield Infrastructure Partners L.P.	5.3%	5.2%
MATERIALS		
Agnico Eagle Mines Ltd.	3.3%	31.3%
CRH plc	0.4%	N/A
Nutrien Ltd.	3.6%	N/A

PORTFOLIO CHANGES[1]

▲ Ferguson plc	▼ Brookfield Corporation
▲ CRH plc	▼ Canadian Utilities Ltd. Class A
▲ TE Connectivity Ltd.	▼ Verizon Communications Inc.

1. Sources: Bloomberg & FactSet for dividend data, NDEX for portfolio data. All data as at quarter end.
2. Calculated in Canadian dollars for all holdings.

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